



Parking Facilities Fund of the City of Norfolk, Virginia

Financial and Compliance Report
Year Ended June 30, 2013

Parking Facilities Fund of the City of Norfolk, Virginia

Financial and Compliance Report
Years Ended June 30, 2013 and 2012

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KPMG LLP
Suite 1900
440 Monticello Avenue
Norfolk, VA 23510

Independent Auditors' Report

The Honorable Members of the City Council
City of Norfolk, Virginia:

Report on the Financial Statements

We have audited the accompanying statements of net position of the Parking Fund of the City of Norfolk, Virginia (the Fund), as of and for the years ended June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in fund net position and cash flows for the years then ended, which collectively comprise the Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Specifications for Audits of Counties, Cities and Towns* (Specifications), issued by the Auditor of Public Accounts of the Commonwealth of Virginia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Parking Fund of the City of Norfolk, Virginia, as of June 30, 2013 and 2012, and the respective changes in financial position, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

As discussed in note 1 to the financial statements, the accompanying financial statements present only the Parking Fund and do not purport to, and do not, present fairly the financial position of the City of Norfolk, Virginia, the changes in its financial position or its cash flows, where applicable, in conformity with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Supplemental Other Post Employment Benefits (OPEB) on page 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The Supplemental Debt Capacity Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Supplemental Debt Capacity Information is responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Debt Capacity Information is fairly stated in all material respects in relation to the basic financial statements as a whole.



Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013 on our consideration of the Fund's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control over financial reporting and compliance.

KPMG LLP

Norfolk, Virginia
December 23, 2013

Parking Facilities Fund of the City of Norfolk, Virginia

Statement of Net Position

June 30, 2013 and 2012

	2013	2012
Assets		
Current assets:		
Cash and short term investments (Note 2)	\$ 15,828,898	\$ 17,906,010
Unrestricted short term investments (Note 2)	2,685,754	1,713,083
Receivables:		
Billed (net)	1,350,887	1,182,427
Unbilled	213,791	220,440
Accrued Investment Income	6,007	45,218
Due from Governmental Agencies	7,217	-
Inventories	384,941	389,050
Restricted short term investments (Note 2)	18,044,642	18,756,268
Total current assets	<u>38,522,137</u>	<u>40,212,496</u>
Capital assets (Note 3):		
Non-depreciable assets	36,152,695	36,121,191
Depreciable assets, net	131,650,294	135,654,818
Total assets	<u>\$ 206,325,126</u>	<u>\$ 211,988,505</u>
Liabilities		
Current liabilities:		
Vouchers payable	\$ 187,455	\$ 475,397
Contract retainage	191	26,972
Accrued payroll	63,578	61,542
Contribution to Employees Retirement System	533,684	583,304
Current portion of bonds payable (Note 5)	66,469,729	3,778,426
Accrued interest	2,181,288	2,124,294
Internal balances	10,003	-
Other liabilities	131,411	162,329
Compensated absences	114,657	124,784
Total current liabilities	<u>69,691,996</u>	<u>7,337,048</u>
Noncurrent liabilities:		
General obligation bonds payable (Note 5)	10,677,025	74,755,565
Revenue bonds payable (Note 5)	73,878,343	76,479,929
Post employment benefits (OPEB) (Note 6)	552,225	519,243
Compensated absences	179,335	187,175
Total noncurrent liabilities	<u>85,286,928</u>	<u>151,941,912</u>
Total liabilities	<u>154,978,924</u>	<u>159,278,960</u>
Net Position		
Invested in capital assets, net of related debt	32,577,980	33,590,535
Restricted for:		
MacArthur Center operating reserves	1,856,707	1,540,014
MacArthur Center repairs and maintenance reserves	387,847	387,808
Unrestricted	16,523,668	17,191,188
Total net position	<u>51,346,202</u>	<u>52,709,545</u>

See Notes to Financial Statements.

Parking Facilities Fund of the City of Norfolk, Virginia

**Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2013 and 2012**

	2013	2012
Operating revenue-		
Charges for services	\$ 19,162,104	\$ 19,451,861
Operating expenses:		
Personnel services	6,573,948	6,642,590
Parking operations	1,143,315	1,092,320
Depreciation	5,552,222	5,473,362
Retirement contribution	533,684	583,304
Administrative expenses	347,229	343,878
Other	878,322	514,217
Total operating expenses	15,028,720	14,649,671
Operating income	4,133,384	4,802,190
Nonoperating revenues (expenses):		
Investment income	100,188	219,396
Interest expense and fiscal charges	(5,530,801)	(5,813,170)
Other non-operating income-contributions	48,240	18,823
Loss on sale or disposal of capital assets	-	(6,257)
Total nonoperating expenses, net	(5,382,373)	(5,581,208)
Loss before transfers	(1,248,989)	(779,018)
Transfer out	(114,354)	(86,978)
Change in net position	(1,363,343)	(865,996)
Net position:		
Beginning	52,709,545	53,575,541
End	\$ 51,346,202	\$ 52,709,545

See Notes to Financial Statements.

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Cash Flows

Years Ended June 30, 2013 and 2012

	2013	2012
Cash Flows From Operating Activities:		
Receipts from customers	\$ 19,000,293	\$ 19,403,150
Payments to suppliers	(1,368,864)	(1,080,721)
Payments to employees	(7,173,183)	(7,262,984)
Other payments/receipts	(1,230,704)	(750,642)
Net cash provided by operating activities	<u>9,227,542</u>	<u>10,308,803</u>
Cash Flows From Noncapital Financing Activities:		
Internal activity, payments from other funds	10,003	0
Transfer out	(114,354)	(86,978)
Net cash used in noncapital financing activities	<u>(104,351)</u>	<u>(86,978)</u>
Cash Flows From Capital and Related Financing Activities:		
Proceeds from capital/refunding debt	5,845,000	1,626,320
Purchases of capital assets	(1,664,267)	(1,078,933)
Refunding/Refinancing of debt principal	(5,940,000)	(11,569,440)
Principal paid on capital debt	(3,643,426)	(4,029,104)
Interest paid on capital debt	(5,724,204)	(5,875,462)
Net cash used in capital and related financing activities	<u>(11,126,897)</u>	<u>(20,926,619)</u>
Cash Flows From Investing Activities:		
Proceeds from sales and maturities of investments	3,563,381	3,055,958
Purchase of investments	(3,776,186)	(2,940,682)
Interest and dividends	139,399	174,434
Net cash provided by investing activities	<u>(73,406)</u>	<u>289,710</u>
Net decrease in cash and short term investments	<u>(2,077,112)</u>	<u>(10,415,084)</u>
Cash and short term investments:		
Beginning	17,906,010	28,321,094
End	<u>\$ 15,828,898</u>	<u>\$ 17,906,010</u>

Parking Facilities Fund of the City of Norfolk, Virginia

Statements of Cash Flows (Continued) Year Ended June 30, 2013 and 2012

	2013	2012
Reconciliation of Operating Income to Net Cash and Short Term Investments		
Provided by Operating Activities:		
Operating income	\$ 4,133,384	\$ 4,802,190
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation expense	5,552,222	5,473,362
Change in assets and liabilities:		
(Increase) Decrease in:		
Accounts receivables (net), billed and unbilled	(169,028)	(48,711)
Inventories	4,109	8,510
Increase (Decrease) in:		
Vouchers payables	(229,658)	3,089
Accrued payroll	(65,551)	(37,090)
Other liabilities	2,064	107,453
Net cash provided by operating activities	<u>\$ 9,227,542</u>	<u>\$ 10,308,803</u>

Supplemental Schedule of Noncash Investing, Capital and Financing Activities

Loss on disposal of capital assets	<u>\$ -</u>	<u>\$ (6,257)</u>
Acquisition of capital assets through the change in contract retainage	<u>\$ (26,781)</u>	<u>\$ (23,995)</u>
Acquisition of capital assets through the change in vouchers payable	<u>\$ (58,284)</u>	<u>\$ (159,927)</u>
See Notes to Financial Statements.		

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies

The Parking Facilities Fund (the "Fund") was established at the direction of Norfolk City Council as an enterprise fund on July 1, 1990. The Fund accounts for the operation of City of Norfolk (City) owned parking facilities, including operations, maintenance, financing and related debt service, and billing and collection. The cost of providing services on a continuing basis is financed or recovered through parking charges to the City's residents and nonresidents. Although separate financial statements have been presented for the Fund, it is also included in the City of Norfolk's Comprehensive Annual Financial Report as a major Enterprise Fund.

A summary of the Fund's significant accounting policies follows:

Basis of accounting: The financial statements are presented on the accrual-basis of accounting, wherein revenues are recognized in the accounting period in which they are earned and expenses are recognized in the accounting period in which the related liabilities are incurred. The Fund adopted Statement No. 20 of the Governmental Accounting Standards Board ("GASB"), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that Use Proprietary Fund Accounting*. Accordingly, the Fund has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

Reclassifications: Certain reclassifications to the 2012 Statement of Net Position have been made to conform to the presentation of the 2013 Statement of Net Position. These reclassifications are not significant.

Deposits and investments: The Fund's cash and short-term investments include cash on hand, demand deposits, and short-term investments with original maturities of one year or less from the date of acquisition. Investments of the Fund are stated at fair value. Short-term investments are recorded at cost, which approximates fair value. The fair value of the State Treasurer's Local Government Investment Pool (LGIP) is the same as the value of the pool shares. The LGIP is not registered with the Securities and Exchange Commission (SEC) as an investment company, but maintains a policy to operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. The external investment pool is administered by the Treasury Board of Virginia. Other investments are stated at their fair value. Securities traded on a national securities exchange are valued at the last reported sales price on the last business day of the fiscal year. Investments that do not have an established market are reported at estimated fair value, primarily net asset value determined based on the fair value of the underlying securities. These investments are reported in the accompanying financial statements as cash and short-term investments, unless the original maturity exceeded one year, in which case they are reported as investments.

The City uses the pooled cash investment method, as a result income from the investment of pooled cash is allocated to the various funds based on the percentage of cash and temporary investments of each fund to the total pooled cash and temporary investments. For purposes of the statement of cash flows, all highly liquid debt instruments and certificates of deposit are grouped into cash and short-term investments. The cash and investment pool discussed above is considered cash, since it has the same characteristics as a demand account.

Receivables: Unbilled accounts, net are estimated at each fiscal year end based on parking usage by customers for whom billings have not yet been processed. Billed accounts are presented on a net basis and consist of the following at June 30, 2013 and 2012:

	<u>2013</u>	<u>2012</u>
Gross receivables	\$11,140,582	\$10,374,661
Less: Allowance for doubtful accounts	(9,789,695)	(9,192,234)
Net receivables	<u>\$ 1,350,887</u>	<u>\$ 1,182,427</u>

Inventories: Inventories are stated at the lower of cost (using the first-in, first-out method) or market.

Restricted assets: Certain unspent proceeds of the revenue bonds as well as certain resources set aside for their repayment are classified as restricted assets on the Statement of Net Position because they are maintained in separate bank accounts and their use is limited by applicable bond covenants

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Capital assets: Capital assets are recorded at cost, less accumulated depreciation. Assets acquired prior to July 1985, for which historical cost records were not available, were appraised and valued at estimated historical cost by means of accepted price indexing methodology.

Depreciation: Depreciation is computed using the straight-line method over the following estimated useful lives:

	Years
Buildings and improvements	10 - 40
Furniture, fixtures and equipment	3 - 15

When an asset is retired or otherwise disposed of, the related cost and accumulated depreciation are eliminated from the accounts and any resulting gain or loss is reflected as non-operating revenue or expense.

Interest costs incurred on funds borrowed for construction projects are capitalized, net of interest earned on the temporary investment of the unexpended portion of those funds during the period of construction.

The Fund evaluates prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset is generally considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. Impaired capital assets that will no longer be used by the Fund are reported at the lower of carrying value or fair value. Impairment losses on capital assets that will continue to be used by the Fund are measured using the method that best reflects the diminished service utility of the capital asset. Any insurance recoveries received as a result of impairment events or changes in circumstances resulting in the impairment of a capital asset are netted against the impairment loss.

Compensated absences: It is the Fund's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Vacation leave is fully vested when earned by Fund employees. Sick leave does not vest for Fund employees; however, upon retirement, Fund employees receive credit for each day of accumulated sick leave toward their pension benefit. There is no liability for unpaid accrued sick leave service since the Fund does not pay when the employee separates from service.

Net position: Net position in the financial statements is classified as net investment in capital assets, restricted; and unrestricted. Restricted net position represent constraints on resources that are either externally imposed by creditors, grantors, contributors, laws and regulations of other governments or imposed by law through state statutes.

Operating and non-operating revenues: The Fund reports as operating revenues all charges for services generated through parking fees and certain other miscellaneous revenues. Other revenues, including interest revenue and grants, are reported as non-operating.

Due to/from other funds: The General Fund of the City provides administrative services to the Fund, which totaled \$660,047 and \$662,527 for the years ended June 30, 2013 and 2012, respectively. Charges for these services are treated as expenses by the Fund.

Bond discount or premium: Discount or premium on bonds is amortized, using the effective interest method, over the life of the debt and is included in interest expense.

Deferred gain (loss) on advance refundings: Gain or (loss) on advance refunding is amortized, using the effective interest method, over the shorter of the life of the refunded bonds or the life of the new bonds.

Notes to Financial Statements

Note 1. Summary of Significant Accounting Policies (Continued)

Use of estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Note 2. Cash and Investments

Deposits: All cash of the Fund is maintained in accounts collateralized in accordance with the Virginia Security for Public Deposits Act, Section 2.2-4400 et. seq. of the Code of Virginia or covered by federal depository insurance. Under the Act, any public depository that receives or holds public deposits ("Qualified Public Depositories") shall elect to secure deposits by either the Pooled Method or the Dedicated Method (which became available by amendments made to the Act effective July 1, 2010). The Pooled Method requires any public depository that receives or holds public deposits to pledge collateral, ranging from 50 to 100 percent of the public deposits, to the State Treasury Board to cover public deposits in excess of Federal deposit insurance. The Pooled Method also provide that if any member financial institution fails, the entire collateral pool becomes available to satisfy the claims of participating governmental entities. If the value of the pool's collateral were inadequate to cover a loss, additional amounts would be assessed on a pro rata bases to members of the pool. Under the Dedicated Method, Qualified Public Depositories are responsible for securing their own public deposits, by the pledge and deposit of eligible collateral with qualified escrow agent, equal to or in excess of required collateral amounts, priced at a minimum of 105% to 130% of all public deposits held by the bank, based on rating determined under the Act; and therefore will not be assessed for losses of another bank that is in default or has become insolvent. The State Treasury Board is responsible for monitoring compliance with the collateralization and reporting requirements of the Act and for notifying local governments of compliance by banks. Both methods of securing public deposits are similar to depository insurance. Funds deposited in accordance with the Act are considered to be fully insured. The City's primary banking institutions has elected to be governed by the Dedicated Method.

Investments: Statutes authorize the Fund to invest in obligations of the United States or agencies thereof, obligations of the Commonwealth of Virginia or political subdivisions thereof, obligations of the International Bank for Reconstruction and Development ("World Bank") and Asian Development Bank, the African Development Bank, commercial paper rated A-1 by Standard and Poor's or P-1 by Moody's Commercial Paper Record, banker's acceptances, repurchase agreements, and the State Treasurer's LGIP, certain mutual funds, corporate notes, asset-backed securities, and savings accounts or time deposits.

The Fund has no formal policy regarding credit risk, interest rate risk, concentration of credit risk, custodial credit risk, or foreign investment risk.

Certain cash and investments of the Fund are combined with other City Funds for investment purposes. These amounts were covered by federal depository insurance or collateralized in accordance with the Virginia Security for Public Deposits Act. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further cash and investment disclosures.

Parking Facilities Fund of the City of Norfolk, Virginia
June 30, 2013

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

a)

Fiscal Year 2013:

Investment Type	Fair Value	Less than 1 Yr	1-5 Years
LGIP Investments	\$ 4,214,340	\$ 4,214,340	\$ -
SNAP Money Market Mutual Fund	10,404,779	10,404,779	-
PFM Money Market Mutual Fund	-	-	-
US Bank Money Market Mutual Fund	715,968	715,968	-
U. S. Government securities	2,620,045	1,838,945	781,100
Other Money Market Funds	2,775,264	2,775,264	-
Total	\$ 20,730,396	\$ 19,949,296	\$ 781,100

Fiscal Year 2012:

Investment Type	Fair Value	Less than 1 Yr	1-5 Years
LGIP Investments	\$ 2,595,124	\$ 2,595,124	\$ -
SNAP Money Market Mutual Fund	10,744,820	10,744,820	-
PFM Money Market Mutual Fund	826,459	826,459	-
US Bank Money Market Mutual Fund	1,045,782	1,045,782	-
U. S. Government securities	2,593,645	1,799,184	794,461
Other Money Market Funds	2,663,521	2,663,521	-
Total	\$ 20,469,351	\$ 19,674,890	\$ 794,461

Parking Facilities Fund of the City of Norfolk, Virginia
June 30, 2013

Notes to Financial Statements

Note 2. Cash and Investments (Continued)

The Fund's rated debt investments, other than LGIP, as of June 30, 2013 and 2012 were rated by Standard and Poor's and the credit ratings are presented below using the Standard and Poor's rating scale.

b)

Fiscal Year 2013:

Investment Type	Total	AAAm	AA+	AAm-	A
LGIP Investments	\$ 4,214,339	\$ 4,214,339	\$ -	\$ -	\$ -
SNAP Money Market Mutual Fund	10,404,780	10,404,780	-	-	-
PFM Money Market Mutual Fund	-	-	-	-	-
US Bank Money Market Mutual Fund	715,968	387,847	-	328,121	-
U. S. Government securities	2,620,045	-	781,100	-	1,838,945
Other Money Market Funds	2,775,264	2,775,264	-	-	-
Total	\$ 20,730,396	\$ 17,782,230	\$ 781,100	\$ 328,121	\$ 1,838,945

Fiscal Year 2012:

Investment Type	Total	AAAm	AA+	AAm-	A
LGIP Investments	\$ 2,595,124	\$ 2,595,124	\$ -	\$ -	\$ -
SNAP Money Market Mutual Fund	10,744,820	10,744,820	-	-	-
PFM Money Market Mutual Fund	826,459	826,459	-	-	-
US Bank Money Market Mutual Fund	1,045,782	387,808	-	657,974	-
U. S. Government securities	2,593,645	-	794,461	-	1,799,184
Other Money Market Funds	2,663,521	2,663,521	-	-	-
Total	\$ 20,469,351	\$ 17,217,732	\$ 794,461	\$ 657,974	\$ 1,799,184

At June 30, 2013 and 2012 the Fund's cash and investment consist of the following:

c)

	2013	2012
Investments in LGIP	\$ 4,214,340	\$ 2,595,124
Other Investments	16,516,056	17,874,227
Cash and short-term investments	15,828,898	17,906,010
Total Cash and Investments	\$ 36,559,294	\$ 38,375,361

	2013	2012
Cash and short-term investments	\$ 15,828,898	\$ 17,906,010
Unrestricted short-term investments	2,685,754	1,713,083
Restricted short-term investments	18,044,642	18,756,268
Total Cash and Investments	\$ 36,559,294	\$ 38,375,361

Parking Facilities Fund of the City of Norfolk, Virginia
June 30, 2013

Notes to Financial Statements

Note 3. Capital Assets

Capital assets at June 30, 2013 and 2012 are comprised of the following:

	Balance June 30, 2012	Additions	Retirements/Transfe	Balance June 30, 2013
Nondepreciable assets:				
Land	\$ 35,952,094	\$ -	\$ -	\$ 35,952,094
Construction-in-progress	169,097	130,446	(98,942)	200,601
Nondepreciable assets	36,121,191	130,446	(98,942)	36,152,695
Depreciable assets:				
Buildings and building improvements	188,180,487	1,289,478	(3,779)	189,466,186
Furniture, fixtures and equipment	5,452,722	258,220	(183,345)	5,527,597
Total depreciable assets	193,633,209	1,547,698	(187,124)	194,993,783
Less accumulated depreciation:				
Buildings and building improvements	(56,322,065)	(5,015,496)	3,779	(61,333,782)
Furniture, fixtures and equipment	(1,656,326)	(536,726)	183,345	(2,009,707)
Total accumulated depreciation	(57,978,391)	(5,552,222)	187,124	(63,343,489)
Depreciable assets, net	135,654,818	(4,004,524)	-	131,650,294
Total capital assets, net	\$ 171,776,009	\$ (3,874,078)	\$ (98,942)	\$ 167,802,989

	Balance June 30, 2011	Additions	Retirements/Transfe	Balance June 30, 2012
Nondepreciable assets:				
Land	\$ 35,952,094	\$ -	\$ -	\$ 35,952,094
Construction-in-progress	193,093	26,972	(50,968)	169,097
Nondepreciable assets	36,145,187	26,972	(50,968)	36,121,191
Depreciable assets:				
Buildings and building improvements	187,434,674	745,813	-	188,180,487
Furniture, fixtures and equipment	5,139,570	351,944	(38,792)	5,452,722
Total depreciable assets	192,574,244	1,097,757	(38,792)	193,633,209
Less accumulated depreciation:				
Buildings and building improvements	(51,348,545)	(4,973,520)	-	(56,322,065)
Furniture, fixtures and equipment	(1,189,019)	(499,842)	32,535	(1,656,326)
Total accumulated depreciation	(52,537,564)	(5,473,362)	32,535	(57,978,391)
Depreciable assets, net	140,036,680	(4,375,605)	(6,257)	135,654,818
Total capital assets, net	\$ 176,181,867	\$ (4,348,633)	\$ (57,225)	\$ 171,776,009

There was no capitalized interest for fiscal year 2013 or 2012.

Notes to Financial Statements

Note 4. Short-Term Obligations

On March 9, 2011, the City issued a \$51,655,000 General Obligation Bond Anticipation Note (BAN), Series 2011A (Tax-Exempt). The 2011A BAN consisted of a \$36,930,000 Note with an interest rate of 3.00% to yield 1.25% and a \$14,725,000 Note with an interest rate of 2.000% to yield 1.280%. The proceeds of the Series 2011A BAN were used to current refund on April 1, 2011 the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010C. The Parking Fund's portion of the Series 2011A BAN to be used to fund the cash flow needs of the Parking Facilities Fund capital improvement project is \$41,093,137 with the balance of the Series 2011A BAN funding the cash flow needs of various General Capital projects of the City. City Council has authorized that the Series 2011A BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note.

On March 9, 2011, the City issued a \$23,650,000 General Obligation BAN, Series 2011B (Taxable) with an interest rate of 2.090% to yield 2.090%. The proceeds of the Series 2011B BAN refund on April 1, 2011, the outstanding principal amount and accrued and unpaid interest on the City's General Obligation BAN, Series 2010D (Taxable). The Fund's portion of the Series 2011B Ban which is to be used to fund the cash flow needs of the Parking Facilities Fund capital improvement project is \$21,550,018 with the balance of the Series 2011B BAN funding the cash flow needs of various General Capital projects of the city. City Council has authorized that the Series 2011B BAN may be extended or refinanced from time to time by or at the direction of the City Manager provided that no extension or refinancing matures later than five years from the date of the original issuance of such Note (January 21, 2010).

Interest on both the Series 2011A and the Series 2011B BANs was payable semi-annually on January 1 and July 1, commencing January 1, 2012. Principal and interest accrued on the Series 2011A and the Series 2010B BANs was payable at maturity on January 1, 2014.

Moody's Investors Service, Inc. ("Moody's) and Standard & Poor's Rating Services reaffirmed the City's existing long-term rating "Aa2" and "AA", respectively on both the Series 2011A and the Series 2011B BANs. Moody's additionally assigned a short-term rating of "MIG-1" on both the Series 2011A and the Series 2011B BANs. Both the Series 2011A and the Series 2011B BANs are general obligations of the City and the City's full faith and credit are irrevocably pledged to the repayment of principal and interest. Either of the Series 2011A BANs or the Series 2011B BANs may be retired, at the discretion of the City Council, from the proceeds of future Capital Improvement Bonds, any revenue bonds of the City or by means of current revenues, special assessments or other funds.

On November 7, 2013, the City refunded the Series 2011A and Series 2011B BANs with a portion of the proceeds of its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable) and its \$13,600,000 General Obligation Variable Rate Bond, Series 2013D (Taxable). See additional information on the new bond issuances included in Note 5, Long-Term Obligations.

Parking Facilities Fund of the City of Norfolk, Virginia
June 30, 2013

Notes to Financial Statements

Note 4. Short -Term Obligations (Continued)

General Obligation BANs	Purpose	Maturity Date	Interest Rate	Outstanding Balance as of 6/30/12	Additions	Reductions	Outstanding Balance as of 6/30/13
General Obligation Bond Anticipation Note, Series 2011A (Tax-Exempt)	Refund Series 2010C (Tax-Exempt)	1/1/2014	3.000%	36,930,000	-	-	36,930,000
General Obligation Bond Anticipation Note, Series 2011A (Tax-Exempt)	Refund Series 2010C (Tax-Exempt)	1/1/2014	2.000%	14,725,000	-	-	14,725,000
General Obligation Bond Anticipation Note, Series 2011B (Taxable)	Finance Parking and other Capital Projects (Taxable)	1/1/2014	2.090%	23,650,000	-	-	23,650,000
Total BANs				75,305,000	-	-	75,305,000
<u>Less: Non parking related</u>							
General Capital Project Funding	Refund Series 2010C (Tax-Exempt)	1/1/2014	2-3 %	(10,561,863)	-	-	(10,561,863)
General Capital Project Funding	Finance Parking and other Capital Projects (Taxable)	1/1/2014	2.090%	(2,099,982)	-	-	(2,099,982)
				(12,661,845)	-	-	(12,661,845)
Net Parking BANs				62,643,155	-	-	62,643,155

Note 5. Long -Term Obligations

General obligation bonds: A summary of general obligation bond transactions, including bond anticipation notes, for the fiscal year ended June 30, 2013 and 2012 follows:

a)

	2013	2012
General obligation bonds outstanding at July 1	\$ 74,569,469	\$ 85,976,693
Bonds retired/refunded/refinanced	(1,088,426)	(11,407,224)
Bonds outstanding at June 30	73,481,043	74,569,469
Plus Unamortized premium	815,711	1,274,522
General obligation bonds outstanding at June 30, adjusted for unamortized premium	74,296,754	75,843,991
Less current portion	(63,619,729)	(1,088,426)
	<u>\$ 10,677,025</u>	<u>\$ 74,755,565</u>

Parking Facilities Fund of the City of Norfolk, Virginia
June 30, 2013

Notes to Financial Statements

Note 5. Long -Term Obligations (Continued)

Parking facilities general obligation bonds outstanding at June 30, 2013 and 2012 are comprised of the following individual issues:

b)

FY 2013

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	496,308
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	282,930
Series 2010 A & B	1/21/2010	4,526,010	1.75 - 5.96%	3,732,704
Series 2010 E	2/25/2010	5,000,000	2.00 - 4.00%	4,500,000
Series 2010 G Refunding	10/19/2010	199,626	2.50 - 5.00%	199,626
Series 2011 A BAN	3/24/2011	41,093,137	2.00 - 3.00%	41,093,137
Series 2011 B BAN	3/24/2011	21,550,018	2.09%	21,550,018
Series 2012 A	5/30/2012	1,632,184	2.07%	1,626,320
Total Parking Facilities General Obligation Bonds				<u>\$73,481,043</u>

FY 2012

Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	Parking Facilities General Obligation Bonds Outstanding
Series 2002 B Refunding	11/1/2002	39,890,000	4.00 - 5.50%	263,803
Series 2006 New Money	11/15/2006	99,225,000	4.00 - 5.00%	667,484
Series 2009 Refunding	5/21/2009	21,895,000	3.00 - 5.00%	282,930
Series 2010 A & B	1/21/2010	4,526,010	1.75 - 5.96%	4,136,151
Series 2010 E	2/25/2010	5,000,000	2.00 - 4.00%	4,750,000
Series 2010 G Refunding	10/19/2010	199,626	2.50 - 5.00%	199,626
Series 2011 A BAN	3/24/2011	41,093,137	2.00 - 3.00%	41,093,137
Series 2011 B BAN	3/24/2011	21,550,018	2.09%	21,550,018
Series 2012 A	5/30/2012	1,632,184	2.07%	1,626,320
Total Parking Facilities General Obligation Bonds				<u>\$74,569,469</u>

A summary of the requirement to amortize general obligation bonds outstanding at June 30, 2013 is as follows:

c)

Year Ending, June 30,	Principal	Interest
2014	\$ 63,619,279	\$ 1,986,929
2015	980,567	394,795
2016	758,075	330,092
2017	593,450	297,205
2018	592,306	279,944
2019-2023	2,936,845	1,110,423
2024-2028	2,755,521	557,506
2029-2033	1,245,000	100,836
General Obligation bonds outstanding	<u>\$ 73,481,043</u>	<u>\$ 5,057,730</u>

Parking Facilities Fund of the City of Norfolk, Virginia
June 30, 2013

Notes to Financial Statements

Note 5. Long -Term Obligations (Continued)

Revenue bonds: A summary of revenue bond transactions for the fiscal year ended June 30, 2013 and 2012 follows:

d)

	2013	2012
Revenue bonds outstanding at July 1	\$ 82,255,000	\$ 84,820,000
Bonds retired	(2,555,000)	(2,565,000)
Bonds refunded	(5,940,000)	-
Bonds issued	5,845,000	-
Bonds outstanding at June 30	79,605,000	82,255,000
Less unamortized discount	(2,876,657)	(3,085,071)
Revenue bonds outstanding at June 30		
adjusted for unamortized discount/premium	76,728,343	79,169,929
Less current portion	(2,850,000)	(2,690,000)
	\$ 73,878,343	\$ 76,479,929

Parking revenue bonds outstanding at June 30, 2013 are comprised of the following individual issues

e)

				Parking Facilities Revenue Bonds Outstanding
Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	
Series 1999 Parking System Revenue	2/15/1999	\$ 54,450,000	4.00 - 5.00%	\$12,340,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	17,860,000	5.50%	15,155,000
Series 2012 Parking System Refunding Variable	8/15/2012	5,845,000	Variable	5,845,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	21,935,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,330,000
Total Parking Facilities General Obligation Bonds				\$79,605,000

				Parking Facilities Revenue Bonds Outstanding
Bond Issue/Purpose	Dated	Issue Amount	Interest Rate	
Series 1999 Parking System Revenue	2/15/1999	\$ 54,450,000	4.00 - 5.00%	\$12,840,000
Series 2000B Parking System Revenue and Refunding	10/1/2000	17,860,000	5.50%	15,155,000
Series 2004A Variable Rate Parking System Revenue	10/28/2004	6,695,000	Variable	5,940,000
Series 2004B Parking System Revenue	10/28/2004	30,905,000	2.50 - 5.00%	23,960,000
Series 2005 Parking System Revenue Refunding	6/15/2005	26,045,000	4.00 - 5.00%	24,360,000
Total Parking Facilities General Obligation Bonds				\$82,255,000

Notes to Financial Statements

Note 5. Long -Term Obligations (Continued):

A summary of the requirement to amortize revenue bonds outstanding at June 30 is as follows:

f)

Year Ending June 30,	Principal	Interest
2014	\$ 2,850,000	\$ 3,703,952
2015	2,985,000	3,569,082
2016	3,100,000	3,449,724
2017	3,255,000	3,312,934
2018	3,400,000	3,169,365
2019-2023	19,785,000	13,422,161
2024-2028	24,495,000	8,273,929
2029-2033	17,655,000	2,244,333
2034-2037	2,080,000	99,674
Revenue bonds outstanding	<u>\$ 79,605,000</u>	<u>\$ 41,245,154</u>

General obligation bonds are payable first from the revenue of the specific funds in which they are recorded; however, the full faith and credit of the City is pledged to the payment of the principal and interest on all general obligation bonds. There are no sinking fund requirements.

Parking revenue bonds are payable solely from the revenues of the Fund. The most restrictive covenant of the Parking revenue bonds requires the Fund net revenue to not be less than the greater of (i) the sum of 1.25 times Senior Debt Service and 1.0 times Subordinated Debt service for the fiscal year and (ii) 1.0 times the funding requirements for transfers from the Revenue Fund to the Bond Fund, the Parity Debt Service Fund, the Repair and Replacement Reserve Fund, the Surety Bond Interest Fund and the Subordinate Debt Service Fund. Pursuant to the terms of the revenue bond indenture, certain resources have been set aside for the repayment of the revenue bonds. These resources are classified as restricted cash and investments on the Statement of Net Assets because their use is limited by applicable bond covenants. A supplementary schedule of past ten years of Parking Facilities Fund, Revenue Bond Senior Debt Service Coverage is included at the end of this report.

On August 15, 2012, the City issued a \$5,845,000 Parking System Revenue Refunding Bond, Series 2012 (Taxable) to the Bank of America, N.A. to refinance the previously issued Variable-Rate Parking Revenue Bonds, Series 2004A (Taxable).). Proceeds from the issuance of the 2012 Bond, along with other available funds, were used to defease the outstanding aggregate principal amount of \$5,940,000 of the 2004A Bonds.

Interest on the 2012 Bond is paid in arrears on each February 1, May 1, August 1 and November 1, commencing on November 1, 2012, at an interest rate of LIBOR, plus 1.10%. Mandatory Sinking Fund amounts are paid annually, beginning August 1, 2013, with a final maturity of August 1, 2018.

Notes to Financial Statements

Note 5. Long -Term Obligations (Continued)

On October 2, 2013, the City entered into a Bond Purchase and Loan Agreement with Banc of America Preferred Funding Corporation, under which the City has the ability to issue three separate bonds in the aggregate principal amount of \$37,960,000 (collectively, the "Forward Refunding Bonds") to currently refund its outstanding General Obligation Refunding Bonds, Series 2004, General Obligation Capital Improvement and Refunding Bonds, Series 2005 and General Obligation Capital Improvement and Refunding Bonds, Series 2006 on June 2, 2014, March 2, 2015 and October 1, 2014, respectively.

On November 7, 2013, the City issued its \$130,990,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013A (Tax-Exempt), its \$81,715,000 General Obligation Capital Improvement and Refunding Bonds, Series 2013B (Taxable), and its \$2,470,000 General Obligation Qualified Energy Conservation Bonds, Series 2013C (Taxable) (collectively the "2013 Bonds"). A portion of the Series 2013A and Series 2013B Bonds was used to refund outstanding Parking System Revenue Bonds. The aggregate true interest cost of the 2013 Bonds was 3.97%. Aggregate total savings of \$3,804,009, or 5.16% of the refunded bonds, benefitted the Parking Facilities Fund. As of November 7, 2013, the Parking System Master Indenture of Trust has been defeased. Therefore, this covenant is no longer applicable to the Parking Facilities Fund after that date as all of the outstanding debt under the Master Indenture of Trust was refunded.

Additionally, on November 7, 2013, the City entered into a private placement variable rate loan, the \$13,600,000 General Obligation Variable Rate Bond, Series 2013D (Taxable) (the "2013D Bond"), with Bank of America, N.A. which, along with other available funds, and a portion of the 2013B Bonds, refunded the City's General Obligation Bond Anticipation Note, Series 2011B (Taxable). The 2013D Bond was issued at a rate of LIBOR, plus 0.95%, with the initial interest rate being 4.22%, and with a final maturity of August 1, 2025.

The Parking Facilities Fund's portion of the Forward Refunding Bonds is \$154,674, which was used to defease \$153,956 of Parking's Series 2006 General Obligation Capital Improvement and Refunding Bonds.

The City has the ability to terminate the Forward Refunding Agreement without issuing any or all of the Forward Refunding Bonds, and Banc of America is not required to purchase any Forward Refunding Bond unless the City satisfies certain advance conditions specified in the Forward Refunding Agreement.

Bonds authorized and unissued as of June 30, 2013 were approximately \$74,554,084.

Note 6. Retirement & OPEB Obligations

The Fund contributes to the Employee's Retirement System of the City of Norfolk (the "System"), a single-employer noncontributory defined benefit plan, which is accounted for as a separate Pension Trust Fund. Reference should be made to the Comprehensive Annual Financial Report of the System for further description of the plan. The retirement expense for June 30, 2013, 2012, and 2011 was \$533,684, \$583,304 and \$606,650, respectively.

The City provides post-retirement health care benefits, in accordance with state statutes, which require extending access to healthcare benefits to certain retirees. General City employees are eligible to participate at the earlier of age 55 and 15 years of creditable service or 25 years of creditable service. Employees who retire on accidental disability are also eligible. Retirees that elect to participate may purchase health care coverage using the same health care plans and premium structures available to active employees. Retiree participation, plan/benefit elections and contributions are administered by the City's Retirement Bureau based on the participation guidelines established by the Norfolk City Council.

Notes to Financial Statements

Note 6: Retirement & OPEB Obligations (Continued)

Projections of benefits for financial reporting purposes are based on the plan and include the types of benefits provided at the time of each valuation. The actuarial methods and assumptions used include techniques designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. The actuarial valuation was performed as of July 1, 2012 with results projected for the fiscal year ended June 30, 2013.

The City's annual OPEB cost (expense) is calculated based on the annual required contribution (ARC), an amount actuarially determined in accordance with GAAP wherein governments report on an accrual basis, benefit costs related to the period in which benefits are earned rather than to the period of benefit distribution. The ARC represents a level of funding that, if paid on an on-going basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The ARC as computed for the City is allocated to the Fund based on payroll.

The Fund and the City use the pay as you go method to calculate the OPEB liability for June 30, 2013 as the City has not funded a trust for the OPEB liability. Using the most recent OPEB Plan Valuation Date of July 1, 2012, the following table shows the components of the Fund's annual OPEB costs projected for the current fiscal year, the amount contributed to the Plan and the changes in the net OPEB obligation:

	<u>2013</u>	<u>2012</u>
Net beginning OPEB obligation	\$ 519,243	\$ 418,749
Annual required contribution	110,331	151,930
Interest on net OPEB obligation	15,017	15,666
Adjustment to ARC	<u>(14,803)</u>	<u>(14,547)</u>
Annual OPEB cost	110,545	153,049
Less: contributions made	<u>77,563</u>	<u>52,555</u>
Increase in net OPEB obligation	32,982	100,494
Net ending OPEB obligation	<u>\$ 552,225</u>	<u>\$ 519,243</u>

The total unfunded actuarial accrued liability (UAAL) for 2013 and 2012 was \$992,504 and \$1,109,800, respectively, and is allocated to the Fund on the same basis as the ARC. The allocation is based on covered payroll and does not purport to represent the OPEB liability of the Fund on a stand-alone basis. Reference should be made to the Comprehensive Annual Financial Report of the City of Norfolk for further information.

Note 7. Commitments

Commitments for completion of capital projects authorized were approximately \$616,305 and \$1,623,290 at June 30, 2013 and 2012, respectively.

Note 8. Litigation

From time to time the Fund is a defendant in a number of lawsuits. Although it is not possible to determine the final outcome of these matters, management and the City attorney are of the opinion that the ultimate liability will not be material and will not have a significant effect on the Fund's financial condition.

Notes to Financial Statements

Note 9. Risk Management

The Fund is exposed to various risks of loss related to: theft of, damage to, and destruction of assets; injuries to employees; general liability; automobile liability; crime and employee dishonesty; professional liability; and directors' and officers' liability. The Fund's coverage is provided through the City's combination of purchased insurance policies and self-insurance plans.

Note 10. Accounting Pronouncements Issued But Not Yet Implemented

The GASB has issued several pronouncements that may impact future financial presentations. Management has not determined what, if any, impact implementation of the following statements will have on the City.

- **GASB Statement No. 65: *Items Previously Reported as Assets and Liabilities*.** The objective of this Statement is to clarify GASB's conceptual definitions of deferred outflows of resources and deferred inflows of resources elements to a broader range of items to enhance consistency in state and local government financial statements. The statement reclassifies or recognizes certain items currently reported as assets and liabilities as one of four financial statement elements — deferred outflows of resources, outflows of resources, deferred inflows of resources or inflows of resources. Before this guidance, many items that appeared to meet the definition of deferred outflows of resources and deferred inflows of resources in Concepts Statement No. 4, *Elements of Financial Statements*, were not specifically identified as such in the GASB's authoritative literature, because the Concepts Statement limits recognition of deferred outflows and deferred inflows to those instances identified in authoritative GASB pronouncement. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.
- **GASB Statement 66: *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62*.** The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. This Statement also amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of an entity's risk financing activities to the general fund and the internal service fund type. As a result, governments should base their decisions about fund type classification on the nature of the activity to be reported, as required in Statement 54 and Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged.
- **GASB Statement 68: *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*.** This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The objective of GASB 68 is to improve accounting and financial reporting by state and local governments for pensions. Governments providing defined benefit pensions will be required to recognize their long-term obligation for pension benefits as a liability and to recognize more pension expense immediately. The Statement also requires revised and new disclosures, and required supplementary information. It also requires cost-sharing employers to record a liability and expense equal to their proportionate share of the collective net pension liability and expense for the cost-sharing plan. The provisions of Statement 68 are effective for fiscal years beginning after June 15, 2014; however, earlier application is encouraged.

Notes to Financial Statements

Note 10. Accounting Pronouncements Issued But Not Yet Implemented (Continued)

- GASB Statement 69: Government Combinations and Disposals of Government Operations. This Statement provides specific accounting and financial reporting guidance for the combination and disposal of entities in a governmental environment. This Statement also enhances the disclosures around these types of activities to improve the usefulness of financial reporting in this area. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2013. Earlier application is encouraged.
- GASB Statement 70: Accounting and Financial Reporting for Non-exchange Financial Guarantees. This Statement requires specific accounting for governments that extend a non-exchange financial guarantee as well as governments that have issued obligations guaranteed in non-exchange transactions. This Statement also specifies the information required to be disclosed in relation to these types of transactions. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged.

Supplementary Schedule

Supplemental Other Post Employment Benefit (OPEB) Information
Schedule of Funding Progress
Parking Facilities Fund
Last Three Fiscal Years
(Unaudited)

Actuarial valuation date	Actuarial value of assets (a)	Actuarial accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Estimated covered payroll (c)	UAA as a percentage of covered payroll (b-a)/c
July 1, 2012	\$ -	992,504	992,504	0%	2,908,338	34.1%
July 1, 2011	\$ -	1,109,800	1,109,800	0%	3,242,816	34.2%
July 1, 2010	\$ -	1,280,678	1,280,678	0%	3,743,396	34.2%

Note:

Data was obtained by OPEB Actuarial Valuation performed by Cheiron.

Supplementary Schedule

**Supplemental Debt Capacity Information
Revenue Bonds Debt Service Coverage
Parking Facilities Fund
Last Ten Fiscal Years**

Fiscal Year	Revenue Available for Debt Service (1)	Operating Expenses Less Depreciation & Amortization (2)	Income Available for Debt Service	Debt Service			Coverage
				Principal (3)	Interest (3 & 4)	Total	
2004	21,614,695	8,503,800	13,110,895	1,155,000	4,232,717	5,387,717	2.43
2005	21,329,936	9,984,289	11,345,647	1,225,000	4,540,463	5,765,463	1.97
2006	21,823,360	9,493,391	12,329,969	1,760,000	4,147,035	5,907,035	2.09
2007	22,348,513	9,359,808	12,988,705	1,825,000	4,628,423	6,453,423	2.01
2008	21,338,661	10,554,971	10,783,690	1,935,000	4,456,598	6,391,598	1.69
2009	20,060,905	10,762,214	9,298,691	2,040,000	4,254,117	6,294,117	1.48
2010	19,039,563	10,741,343	8,298,220	2,370,000	4,084,135	6,454,135	1.29
2011	20,079,618	10,513,723	9,565,895	2,445,000	4,009,864	6,454,864	1.48
2012	19,842,724	9,176,309	10,666,415	2,565,000	3,894,835	6,459,835	1.65
2013	19,310,532	9,476,498	9,834,034	2,555,000	3,821,440	6,376,440	1.54

Notes:

1. Includes operating revenue plus interest income not capitalized and use of operating reserves.
2. Includes operating expenses less depreciation and amortization.
3. Excludes subordinate debt service.
4. Reflects actual interest paid on the Variable Rate Parking System Revenue Bonds, Series 2000A, 2004A and 2012.



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**Independent Auditors' Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Honorable Members of the City Council
City of Norfolk, Virginia:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Parking Fund of the City of Norfolk, Virginia (the Fund), which comprise the statements of net position as of June 30, 2013 and 2012, and the related statements of revenues, expenses, and changes in fund net position and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 23, 2013. Our report also discusses that the Fund has not presented a Management's Discussion and Analysis that U.S. generally accepted accounting principles has determined necessary to supplement, although not required to be a part of, the financial statements.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Fund's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of Fund's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Fund's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP,

Norfolk, Virginia
December 23, 2013

